

SD Guthrie (SDG MK)

4Q25 Results Preview: Sequentially Lower ASPs And Output

Highlights

- We expect SDG's core net profit to moderate by 21% qoq in 4Q25, driven mainly by softer ASPs and marginally lower production vs 3Q25.
- Full-year FFB production growth may track just below management's 2025 targeted 3-5%, with disclosed cumulative figures for 11M25 output up 1.3% yoy. 2026's production growth however is expected to pick up from a low base.
- Maintain HOLD on SDG with an unchanged target price of RM5.90, pegged to 22x 2026F PE or -0.25SD to its historical mean.

Analysis

- 4Q25 results preview.** SD Guthrie (SDG) is expected to report a lower 4Q25 core net profit of RM392m (-21% qoq), against 3Q25 core earnings of RM497m. We expect weaker sequential results, driven by softer earnings contribution from its upstream plantation segment following a 5% qoq decline in average spot CPO prices from RM4,270/tonne during 3Q25. In addition, FFB output is forecasted to moderate by 2% qoq with monthly production seen softening over Nov-Dec 25.
- Plantation segment – FFB output up 1.3% yoy for 11M25.** Production-wise, SDG's plantation segment recorded a 10% mom rise in FFB output for Oct 25 but this was followed by a 7% mom decline in Nov 25. Given the historical seasonal trends, we expect Dec 25's output to continue moderating mom; this will consequently bring 2025's full-year production growth to 1-2% yoy, which tracks slightly below management's full-year growth target of 3-5% yoy. In terms of estate performance by location, we believe production in Malaysia may remain reasonably steady, mirroring the broader industry trends. On the other hand, performance of its estates in Indonesia and Papua New Guinea/Solomon Islands (PNG/SI) may continue to track weaker qoq/yoy.
- Downstream outlook.** Operating profit by the segment may come in flattish or slightly lower qoq in the range of RM120m-150m (3Q26: RM152m). Sales volume for its bulk and differentiated products may have seen a temporary boost from European customers ahead of the year-end planned implementation of the EU Deforestation Regulation (EUDR), before the law was once again delayed to 31 Dec 26. Results of its trading division on the other hand may be choppy due to heightened price volatility in 4Q25.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	18,428	19,831	23,690	24,124	24,583
EBITDA	3,270	4,102	4,448	4,379	4,272
Operating profit	1,839	2,649	2,898	2,788	2,681
Net profit (rep./act.)	1,860	1,527	1,879	1,862	1,872
Net profit (adj.)	812	1,527	1,879	1,862	1,872
EPS (sen)	11.9	22.5	27.6	27.4	27.5
PE (x)	46.8	24.9	20.2	20.4	20.3
P/B (x)	1.9	1.9	1.9	1.9	1.9
EV/EBITDA (x)	18.0	14.4	13.2	13.0	13.0
Dividend yield (%)	2.7	2.9	3.2	3.1	3.1
Net margin (%)	10.1	7.7	7.9	7.7	7.6
Net debt/(cash) to equity (%)	23.4	22.8	20.7	12.6	4.9
Interest cover (x)	18.7	34.5	39.4	159.4	179.6
ROE (%)	10.4	8.3	10.3	10.2	10.2
Consensus net profit	-	-	1,888	1,861	1,776
UOBKH/Consensus (x)	-	-	1.0	1.0	1.2

Source: Company, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM5.59
Target Price	RM5.90
Upside	5.5%

Analyst(s)

Lester Siew

lestersiew@uobkayhian.com

+603 2147 1990

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	SDG MK
Shares issued (m):	6,915.7
Market cap (RMm):	38,603.3
Market cap (US\$m):	9,545.7
3-mth avg daily t'over (US\$m):	5.6

Price Performance (%)

52-week high/low					RM5.32/RM4.42
1mth	3mth	6mth	1yr	YTD	
1.6	6.5	17.2	16.2	(1.1)	

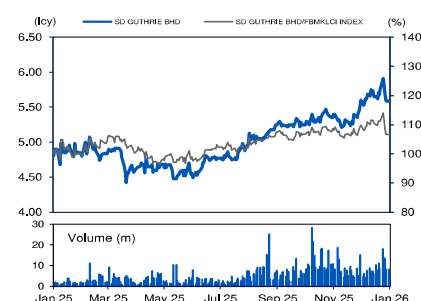
Major Shareholders

Amanah Saham Nasional Bhd	53.3%
Employees Provident Fund	14.8%

Balance Sheet Metrics

FY26 EV/Share (RM)	2.90
FY26 Net Debt/Share (RM)	0.72

Price Chart



Source: Bloomberg

Company Description

The largest oil palm plantation company in Malaysia.

- **2026 outlook.** Moving into 2026, we project SDG's core earnings to come in flattish (-0.9% yoy) at RM1,862m. Key drivers of our forecasts are our latest CPO price assumption of RM4,250/tonne for this year, which tracks marginally lower than 2025's price average of RM4,300/tonne. However, the lower ASPs should be offset by a 3.9% rise in FFB output, where we expect production growth to pick up quicker this year coming off a relatively low base, as 2025 was affected by periods of sluggish production especially during 1Q25. Performance of its downstream operations may remain on par yoy, supported by a moderation in palm oil price volatility. Separately, earnings contribution by its new business verticals (industrial development, renewable energy) are expected to remain insignificant, as the segment is still in its nascent stages.

Valuation/Recommendation

- **Maintain HOLD with unchanged target price of RM5.90.** We recently downgraded our call from BUY to HOLD after revising lower our target price from RM6.50, in accordance with our lowered CPO price expectations. Our valuation remains pegged to 22x 2026F PE (-0.25SD to the average five-year mean of 26x). While we still like SDG for its favourable estate age profile and medium-term growth prospects supported by new business verticals within renewables as well as industrial development, present valuations appear fair to us at the current juncture.

Earnings Revision/Risk

- **2025-27 earnings estimates.** We recently lowered 2026 earnings estimates by 9% mainly on account of our reduced CPO price expectation of RM4,250/tonne for the year (from RM4,400/tonne previously), subsequent to Indonesia's official announcement to scrap its B50 biodiesel mandate's implementation originally slated for 2H26. Our forecasts imply a 23% yoy growth in 2025 core net profit and flattish core earnings for 2026 (-0.9% yoy) on the back of muted CPO price outlook for this year.

Share Price Catalyst

- Better-than-expected CPO prices and production growth.
- Accelerated development of new business verticals.
- Potential M&A activities.

Environmental, Social, Governance (ESG)

Environmental

- SDG announced that additional biogas plants would be built in Kedah and Negeri Sembilan. This allows it to work towards its carbon reduction target of 40% by 2030 (current: 18%).

Social

- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".

Governance

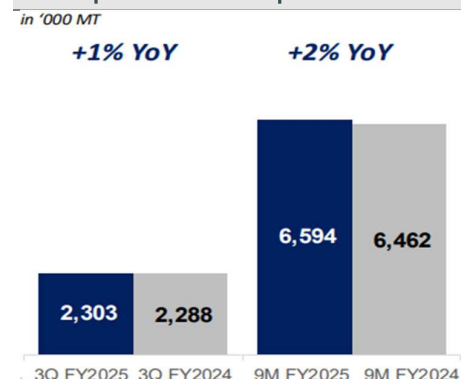
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

2026 Key Assumptions

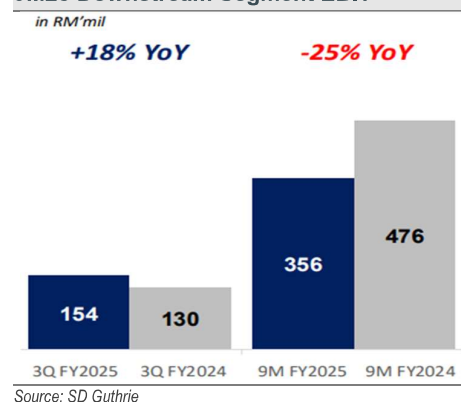
	2026
FFB production growth	3.9% yoy
CPO Prices (Spot)	RM4,250/tonne

Source: UOB Kay Hian

9M25 Upstream FFB Output



9M25 Downstream Segment EBIT



Landbank Plan For Industrial Development

Selangor	Negeri Sembilan	Johor
• ~1,000 acres identified for development with near term finalisation expected	• ~500 acres identified for potential development collaboration or outright sale	• ~950 acres identified with negotiations progressing towards finalisation

Source: SD Guthrie

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	19,831	23,690	24,124	24,583
EBITDA	4,102	4,448	4,379	4,272
Deprec. & amort.	1,453	1,550	1,591	1,591
EBIT	2,649	2,898	2,788	2,681
Associate contributions	(28)	10	11	13
Net interest income/(expense)	(119)	(113)	(27)	(24)
Pre-tax profit	2,502	2,795	2,772	2,670
Tax	(796)	(709)	(703)	(654)
Minorities	(179)	(207)	(207)	(144)
Net profit	1,527	1,879	1,862	1,872
Net profit (adj.)	1,527	1,879	1,862	1,872

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	3,013	2,797	3,819	3,763
Pre-tax profit	2,621	2,908	2,799	2,694
Tax	(796)	(709)	(703)	(654)
Deprec. & amort.	1,453	1,550	1,591	1,591
Associates	(378)	(1,071)	(72)	(76)
Working capital changes	113	119	205	208
Other operating cashflows	(630)	(641)	(628)	(640)
Investing	(2,096)	(2,096)	(2,096)	(2,096)
Capex (growth)	0	1	2	2
Investments	1,452	1,452	1,452	1,452
Others	14	2	14	2
Financing	(1,621)	(1,713)	(1,700)	(1,707)
Dividend payments	(1,127)	(1,221)	(1,210)	(1,217)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Others/interest paid	6	8	10	10
Net cash inflow (outflow)	762	443	1,491	1,416
Beginning cash & cash equivalent	830	1,586	2,023	3,508
Changes due to forex impact	(6)	(6)	(6)	(6)
Ending cash & cash equivalent	1,586	2,023	3,508	4,918

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	19,365	19,911	20,416	20,922
Other LT assets	4,954	4,986	4,987	4,987
Cash/ST investment	625	2,023	3,508	4,918
Other current assets	520	(1,432)	(3,439)	(5,433)
Total assets	32,047	33,822	33,933	33,987
ST debt	1,809	1,624	1,440	1,255
Other current liabilities	237	241	242	242
LT debt	3,537	4,678	4,679	4,679
Other LT liabilities	233	233	233	233
Shareholders' equity	20,718	20,718	20,718	20,718
Minority interest	443	526	609	629
Total liabilities & equity	32,047	33,771	33,728	33,623

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	20.7	18.8	18.2	17.4
Pre-tax margin	12.6	11.8	11.5	10.9
Net margin	7.7	7.9	7.7	7.6
ROA	5.1	6.0	6.0	6.0
ROE	8.3	10.3	10.2	10.2
Growth				
Turnover	7.6	19.5	1.8	1.9
EBITDA	25.4	8.4	(1.6)	(2.4)
Pre-tax profit	14.1	(10.9)	(0.8)	(3.7)
Net profit	16.3	(13.2)	(0.9)	0.5
Net profit (adj.)	16.3	(13.2)	(0.9)	0.5
EPS	88.0	22.5	(0.9)	0.5
Leverage				
Debt to total capital	25.3	29.7	28.7	27.8
Debt to equity	25.8	30.4	29.5	28.6
Net debt/(cash) to equity	22.8	20.7	12.6	4.9
Interest cover (x)	34.5	39.4	159.4	179.6

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